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WORLD COTTON PROSPECTS

Summary

Domestic mill consumption of raw cotton during the first 2 months of the current season was the lowest for the period since records became available nearly 25 years ago. In October, however, cotton consumption increased materially. For the 3 months of the season domestic manufacturers' sales of cotton goods were somewhat above the restricted output, but stocks continued very large. Mill activity in Japan continued at very high levels during the first quarter of the current season and in China activity was somewhat higher than in the first part of last season. Cotton consumption in Great Britain during the first part of the current season was apparently somewhat less than a year earlier but during October activity was stepped up considerably. On the Continent of Europe cotton mill activity in a number of countries has been curtailed during the early part of this season, and the level of activity for the Continent as a whole was apparently considerably less than during the first part of 1933-34. This is particularly true in Germany where cotton consumption is being restricted by the Government to 70 percent of the average consumption during the first quarter of 1934.

The present indications are that the 1934-35 production of cotton in foreign countries will be 600,000 bales larger than the 1933-34 crop. With the world carry-over of foreign cotton on August 1, 1934 something like 1,000,000 bales larger than at the beginning of last season the indications are that the 1934-35 supply of foreign grown cotton will be around 1,600,000 bales larger than the record supply of the previous season,

and something like 3,900,000 bales or 25 percent larger than the average for the 10 years ended 1932-33. The world supply of American cotton for the current season is now expected to be about 20,100,000 bales, which is 4,550,000 bales less than the 1933-34 supply, nearly 5,900,000 bales below the extremely large supplies in each of the two seasons, 1931-32 and 1932-33. The indicated supply for the present season is slightly less than the average supply of American cotton for the 10 years ended 1932-33.

Prices

During the week ended October 27 the price of American middling 7/8 inch cotton in the 10 designated markets averaged 12.45 cents per pound. This represented a decline of 0.40 cents as compared with the average for the month of September of 12.85 cents and was 0.67 cents less than the average for the month of August of 13.12 cents. During September and October last year the average price in the 10 markets was slightly above 9 cents. From the high point reached on August 9 of 13.63 cents the average price in the 10 markets declined 1.24 cents per pound to 12.39 cents by October 29, but for the 3 months averaged about 12.79 cents per pound, the highest for a similar length of time since the latter part of the 1929-30 season.

During recent weeks the prices of spot cotton have been unusually high relative to futures quotations. During September prices of middling 7/8 inch spot cotton in the 10 designated markets averaged 0.08 cents per pound higher than the average of the prices of New York futures contracts for October delivery. During September last year spot prices in these markets averaged 0.25 cents less than the October futures contracts and during the 10 years ended 1932-33 September spots averaged 0.47 cents less than the futures contracts for October delivery.

During the first 2-1/2 months of the 1934-35 season three types of Indian cotton at Liverpool averaged about 66 percent of the price of American middling and low middling. This compares with an average ratio between these types of cotton during the 1933-34 season of 74, an average of 87 and 89 percent in 1932-33, and 1931-32, and a 10-year average ended 1932-33 of 81 percent. This unusually low price of Indian cotton relative to American reflects the larger supply of Indian cotton, the smaller supply of American cotton, and the high prices of spot cotton relative to futures.

Stocks and Movement

Exports of American cotton

During the first 2 months of the current season exports of domestic cotton from the United States amounted to only 747,000 bales which was 47 percent less than during the same period last season, 28 percent less than the average for those months during the 10 years ended 1932 and was the

lowest for these 2 months since 1922. Unofficial data indicate that exports during the first 25 days of October were about 45 percent below the same part of October 1933.

Exports from the United States to the United Kingdom during the first 2 months of this season were 60 percent less than in August and September last year and exports to France, Italy, and Germany were 56 to 60 percent less than during the like period last season. The low level of domestic exports is due largely to the decrease in the supply of American cotton along with the substantial increase in the supply of foreign growths resulting in price parities favorable to the consumption of foreign-grown cotton, and to the acute shortage of foreign exchange in certain important cotton-consuming countries.

Exports of Indian and Egyptian cotton

In contrast to the decline in exports from the United States during the first part of the current season exports from India from August 1 to October 18 this season amounted to 315,000 running bales of approximately 400 pounds compared with 254,000 bales during the corresponding period last season and 270,000 bales during the like period in 1932-33. The larger exports from India this season as compared with last season is accounted for by the increase in exports to Japan and China combined (as reported by the Commercial and Financial Chronicle) as exports both to Great Britain and to the Continent of Europe were considerably smaller than last season. During the 4 weeks ended October 18, however, exports from India to the Continent of Europe were considerably larger than a year earlier.

Exports of cotton from Egypt from August 1 to October 17 amounted to 160,000 running bales of approximately 750,000 pounds compared with 153,000 bales to the same date last season and 119,000 bales to that date in 1932-33. The increase in exports of Egyptian cotton was largely due to the larger exports to the Continent and India combined (as reported) although exports to America were also slightly larger than to October 17 last season.

Textile Situation

United States

Cotton consumption during the first 2 months of the 1934-35 season averaged only about 350,000 bales as compared with an average for the 2 months last season of 544,000 bales, an average for these months in 1932 of 448,000 bales, and was the lowest for the period since records became available in 1913. In October cotton consumption apparently increased very materially over the low levels existing in September. The cloth production figures of the Cotton Textile Institute for the first and second weeks of October were equal to or larger than in the corresponding weeks a year earlier. In October last year domestic mills used 504,000 bales of cotton, the largest for the month since 1929. Trade reports indicate that during the week ended October 20 sales of cotton goods increased materially as compared with previous weeks, and the volume of sales was apparently about equal to the output. The position of domestic mills relative to stocks of cotton goods apparently still continues to

vary considerably in the different types of constructions. In some lines of goods mill stocks have been reported as increasing while stocks of other types of goods have been declining. On the whole, however, stocks are now apparently considerably smaller than during the summer but are still comparatively large.

Great Britain

During October trade reports have indicated that mill activity in Great Britain has increased some. The New York Cotton Exchange Service has estimated that activity in British mills during the first 3 weeks of October at 75 percent of regular full normal, whereas during August and early September activity there was estimated at 60 to 65 percent.

Trade reports indicate that deliveries of cotton to spinners during August and September aggregated 360,000 bales, which was only slightly less than deliveries during the corresponding 2 months of 1933. Deliveries of American cotton, however, during this period, amounted to about 161,000 bales compared with 235,000 bales in the like period last year. Deliveries of Indian cotton increased from about 38,000 to 47,000 bales and deliveries of Brazilian cotton from about 1,000 bales last year to about 50,000 bales during those 2 months this season.

Continental Europe 1/

Following the 1932-33 upturn in mill consumption of raw cotton on the European Continent there has been a further marked pick-up during the 1933-34 season, most of which, however, was due to the unusually high level of activity of the cotton industry in Germany where business was artifically stimulated. The increase in continental mill consumption of raw cotton during 1933-34 amounted again to from 7 to 10 percent as compared with the previous season and almost reached the 1929-30 level. Since the second quarter of 1934, however, there has been evidence of a downward trend in manufacturers sales of cotton goods and in mill activity, coinciding with a decline in indices of general economic activity. The 1933-34 improvement in mill consumption of raw cotton in most continental countries rested upon extensive wholesale buying of cotton manufactures. Ultimate consumer buying has apparently lagged behind so that stocks of manufactured goods rose. In view of the uncertain outlook for general business conditions on the Continent during the coming year, it is unlikely that the wholesale demand for cotton textiles will continue to outrun ultimate consumption. In view of this situation and especially because of the drastic curtailment of cotton mill operations and consumption of cotton goods in Germany, it is probable that 1934-35 mill consumption of raw cotton on the Continent will fall short of 1933-34, though a possibility for improvement in the second half of the calendar year 1935 exists. This assumes no great improvement in world economic conditions. The expected 1934-35 decline in mill consumption will be due mostly to curtailment in Germany. In some other countries reductions may be only slight and in still others occupation may be maintained or even increased.

Germany

The upswing of business and occupation in the German cotton industry, already evident at the end of 1932, continued throughout 1933, and well

1/ Based largely on a report prepared by Donald F. Christy, Assistant Agricultural Attache at Berlin dated September 25, 1934.

into the first half of 1934. This continuation of boom conditions in the German cotton textile industry during the first 2 or 3 months of 1934 was due in part to an artifically stimulated demand for uniforms and flags. The feverish activity in the second quarter of 1934 was largely due to fears of a shortage of raw material. These fears were based on the threatening currency difficulties and the buying prohibition and supervision over foreign raw cotton imposed by the German Government at the end of March. Since the end of July, when the so-called "fiber decree" drastically reduced working time and general textile mill activity, occupation and, therefore, raw material consumption of the industry has been curtailed by about 35-40 percent as compared with the second quarter of 1934.

How extensive the expansion in German cotton mill activity and mill consumption of raw cotton has been, is clearly shown in the returns of the Manchester Federation. According to these data German mill consumption of raw cotton in 1933-34 practically reached the record level of 1927-28 and this with only about 10,000,000 spinning spindles in operation, whereas in 1927-28 the number of spindles was around 11,000,000. The 1933-34 activity per spindle, therefore, was even higher than in 1927-28. Net imports of raw cotton during the season 1933-34 amounted to fully 348,000 metric tons (1,600,000 bales), as compared with 344,000 (1,587,000 bales) in 1932-33, 282,500 (1,303,000) bales in 1931-32 and 371,900 (1,715,000 bales) in the record import season 1926-27. Had not imports in June and July 1934, shown the results of the buying restrictions, total 1933-34 imports would have reached the record of 1926-27.

Consumption of American cotton in Germany during 1933-34 amounted to 1,056,000 bales, the third largest since the war, but the share of American cotton used was the lowest since the World War, except for the season 1930-31. Other cottons, particularly Indian, were consumed by German mills at a materially increased rate. Price relationships between American and other growths, during 1933-34, were distinctly in favor of the latter, and this condition has been the most important factor in the shift. In the case of Egyptian cotton, barter arrangements may have resulted in a somewhat larger amount of Egyptian cotton having been used.

Wholesale and retail stocks of cotton goods increased further during 1933-34, as a result of the continued failure of retail sales to keep up with the high and increased level of textile production. Our index of cotton and cotton textile stocks in Germany indicates that stocks at the present time are far above any year since the war. Even if allowance is made for the probability that the increase in cotton textile sales in 1933 and 1934 exceeded the increase in the sales of all textiles taken together (for which alone a retail sales index is available), a significant further expansion of stocks to the middle of 1934 is indicated. However, this situation is of much less significance, from the standpoint of a forecast of possible developments in the industry, this year than it would ordinarily be. As a result of the restrictions imposed upon the industry's manufacturing activity and therefore output, stocks will not only be worked down at an appreciable rate during the next several months, but future developments in the industry will be directly determined by those restrictions. There is, no doubt, that cotton mill activity in Germany during 1934-35 will be drastically reduced as compared with 1933-34; that

German takings of raw cotton will be much smaller and that there is little prospect for imminent recovery.

Curtailment of Consumer Purchasing Power and Wholesale Buying Ability

The forecast of reduced cotton mill activity in Germany during 1934-35 naturally is based upon the drastic measures taken by the Government to reduce output and raw material requirements. However, these governmental measures only reflect the present unsatisfactory economic situation in Germany and may, therefore, be used as indicative of the outlook for the future.

Germany's present unfavorable balance of payments, necessitates a restriction of general imports. This means that Germany's industrial machinery, so extensively dependent upon foreign rawstuffs, must either curtail its operations and release workers, or must work on domestically-produced substitutes at greatly increased cost. Both alternatives mean a curtailment of general consumer purchasing power and a reduction in the living standard. This curtailment will be reflected in the consumption of textiles.

As to wholesale buying of raw cotton and fabrics, prospects are that it will be reduced by direct government action. The regulation of import buying existing since the end of March 1934 will doubtless continue for some time.

Increase in production of substitute fibers - Germany's difficult economic position, caused by the disequilibrium in her foreign trade balance - which she refuses to attempt to correct by currency devaluation-will reduce her raw cotton requirements not only because of the restriction in textile consumption, but also because it will lead to an expansion in the domestic production of artificial fibers. While this is largely a factor of long-term concern, its immediate consequences must also be considered inasmuch as a certain amount of expansion in domestic production must be reckoned with in the near future.

Production of artificial silk, which is a competitor of cotton goods, especially under present German conditions, amounted to about 18,500,000 kilograms (40,800,000 pounds) in the first half of 1934 compared with only 14,500,000 kilograms (31,967,000 pounds) in the first half of 1933. In recent months, old surplus machinery in the industry has been modernized and production capacity may also be increased by raising spinning capacity. It is expected that total 1934 output of the artificial silk industry will probably exceed 40,000,000 kilograms (88,184,000 pounds) as compared with 28,000,000 - 30,000,000 kilograms (61,700,000 to 66,000,000 pounds) the average production during the past 4 years.

As regards the so-called "Kunstspinnfaser" or artificial fiber (such as "Vistra") which is produced as a staple fiber that may be spun together with wool or cotton, it is estimated that the rate of production at the beginning of this year was about 10,000,000 kilograms (22,000,000 pounds) a year. Later increases in plant capacity are expected to bring 1934 production up to 15,000,000 or 20,000,000 kilograms (33,000,000 to 44,000,000 pounds).

Expansion in the rayon and artificial fiber industry is now definitely planned and promoted by the government. Thus, the German Glanzstoff Concern reported a planned expansion of its producing capacity by about one third, of which a part has already been accomplished. A joint marketing organization has been formed called the Cuprana-Spinnfaser G.m.b.H. (Berlin) which will have the task of marketing the "Kunstspinnfaser" produced by the two concerns using the copper-oxide process. The extent to which these proposed expansions in production capacity will be carried out will depend largely upon government assistance and guarantees. Otherwise entrepreneurs will not be disposed to embark on innovations which, under normal conditions, would be unprofitable. According to trade rumors, the government seems to favor an expansion of the production capacity for rayon to 70,000,000 kilograms (154,000,000 pounds), and for Kunstspinnfaser to 100,000,000 kilograms (220,000,000 pounds), a total of 170,000,000 kilograms (374,000,000 pounds) as compared with a 1934 production of perhaps 55,000,000 kilograms (121,000,000 pounds).

Any great expansion in the production of artificial fiber would in the long run also depend on the quality of the product. The rayon industry supplies a product of excellent quality, and great progress has been made in the development of the artificial spinning fibers, although they still have decided disadvantages. For the immediate future, quality will not likely play a very important part as Germany seems determined to thoroughly explore this field into which she has been more or less forced. As regards the question of capital, it may be assumed that the government will provide all that is necessary in one way or another.

Czechoslovakia

The improvement in cotton mill activity in Czechoslovakia during 1933-34 was comparatively small. While the consumption of raw cotton by spinning mills in Czechoslovakia in 1933-34 was about 3½ percent above 1932-33 it was the second lowest in the last 13 years and fully 45 percent below the record season 1927-28. The continued restrictions on international trade have prevented any significant improvement during the past season, and the export situation has so far been helped very little by the 16 2/3 percent devaluation of the Czech crown. The small improvement in the Czechoslovakian cotton textile business in 1933-34, therefore, was almost entirely due to internal factors. There seems to be little prospect for a significant betterment in the export situation. Economic conditions in surrounding countries including the Danubian Basin - where despite increased grain export prices it seems likely that they may not result in increased returns to grain growers, because of poor crops - will probably show only gradual improvement, and the currency and trade restrictions, therefore, are likely to persist for some time to come. As a result - because Czechoslovakia's cotton industry is heavily dependent on export outlets - the outlook for the cotton industry for the current campaign and the calendar year 1935 is not encouraging.

Net imports of raw cotton into Czechoslovakia during 1933-34 amounted to about 76,000 metric tons (equivalent to 350,500 bales of 478 pounds), as

compared with net imports of about 74,000 metric tons (341,000 bales) in 1932-33 and 133,400 (615,000 bales) in the record season of 1927-28. Cotton yarn exports during the first 7 months of 1934 showed a heavy decline as compared with last year - from 7,000 tons to 4,800 tons (15,000,000 to 10,582,000 pounds). Exports of fabrics from January to July 1934 were 3,300 tons (7,275,000 pounds) as compared with 4,400 (9,700,000 pounds) during the same period last year, and 23,000 (50,700,000 pounds) in the corresponding period of 1927. Up to 1932 Czechoslovakian exports of cotton fabrics usually were substantially in excess of exports of yarn, but since 1932 the situation is reversed. This course particularly reflects the difficult position of the weaving branch. It reflects, in part, also the expansion of the weaving industry in neighboring countries that were formerly heavy importers of Czechoslovakian fabrics. To some extent, therefore, the curtailment of Czechoslovakian cotton mill operations observed in recent years is of a permanent character.

There was a heavy decline in the relative consumption of American cotton during 1933-34 as compared with 1932-33, and also an absolute decline, despite the fact that total consumption increased.

Austria

Substantial improvement has been experienced in the Austrian cotton industry during 1933-34, partly as a result of improved conditions on the well-protected home market, partly because of increased exports. If general economic improvement can be maintained, the Austrian cotton industry may be expected to retain during the coming year the gains made in the past season.

Net imports of raw cotton during the past campaign amounted to about 30,000 metric tons (about 138,000 bales) as compared with net imports of only about 19,600 (90,400 bales) in 1932-33. Spinning mill consumption of raw cotton in 1933-34 amounted to about 121,000 bales of 478 pounds net, which represents an increase of 50 percent over the low level of 1932-33. This increase is so much the more remarkable as it raised average spindle activity in 1933-34 to about the record level of 1927-28, when 160,000 bales were consumed by 1,000,000 spindles in place. The number of spindles in place in the past season was only about 760,000.

France

The 1933-34 improvement in the French cotton textile industry was comparatively small, as the considerable upswing in the first half of the season gave way to serious declines in the second half. Organized curtailment in the spinning industry was accomplished in the second quarter of 1934, and operations were reduced considerably. The outlook for 1934-35 and the calendar year 1935 is somewhat uncertain. General economic conditions in France, as in the other gold countries, continue unsatisfactory. The renewed policy of deflation has improved the budgetary situation and the conditions on the capital market, but it does not appear to be stimulating business expansion. Any eventual improvement in the cotton industry during the coming year will probably be conservative, but might be helped by the relatively favorable stocks situation. Stocks of cotton yarns and cloth, as a result of carefully adjusting production to ultimate consumer demand, do not appear to be large at the present moment.

French imports of raw cotton during 1933-34 amounted to roughly 300,000 metric tons (1,384,000 bales) as compared with 310,000 (1,430,000 bales) in

1932-33. Imports fell off sharply in the last quarter of the season. Spinning mill activity was considerably above the previous year in the first half of the season, but fell below in the second half. Weaving mill occupation was somewhat better maintained. Mill consumption of raw cotton in France during 1933-34 was only slightly above 1932-33, and consumption of American cotton was even somewhat below, but still above any of the seasons from 1929-30 to 1931-32.

Belgium

The only continental country that experienced further declines in the activity of its cotton industry in 1933-34 was Belgium. Mill consumption of raw cotton in 1933-34 was the lowest since 1922-23, when there were considerably fewer spindles in place than there are now. Continuance of unfavorable, though slightly improved economic conditions within the country, and the loss of export markets for cotton yarns and goods - on which the industry largely depends - account for the downward trend. The unfavorable competitive position of the Belgian currency impairs the prospects of export business, and for the current season any eventual improvement in cotton mill occupation will probably be only moderate.

According to the Manchester Federation, the Belgian cotton industry in 1929 exported 50,900 tons (112,210,000 pounds) of yarn and cloth, but in 1933 only 27,100 tons (59,745,000 pounds) were exported.

Italy

Only moderate recovery was experienced in the Italian cotton textile industry during 1933-34. The improvement was due entirely to gains in the first part of the season, for since March 1934 the trend of business and production in the industry has been distinctly downward. Centralized organization of the spinning industry in order to adjust production to demand and to plan on purchases, manufacturing and sales in the industry was necessitated by unsatisfactory developments on both the domestic and foreign markets. The renewal of a deflation policy in 1934 discouraged general business in the country, and recent indices on economic activity and purchasing power show a declining tendency. As a result, home business of the cotton textile industry declined. Foreign business likewise has given rise to many complaints. The outlook for the cotton textile industry in 1934-35 and 1935 is none too good, and unless extraordinary developments in the general economic situation occur, there is little prospect that mill consumption of raw cotton in Italy will rise during the current season.

Net imports of raw cotton into Italy from August 1, 1933 to May 31, 1934 amounted to 190,300 metric tons (878,000 bales), as compared with only 186,300 tons (787,000 bales) during the same period last season. Mill consumption of raw cotton during 1933-34, on the other hand, was only slightly above 1932-33, with consumption of American cotton even appreciably below.

Poland

A slight consolidation of the economic situation in Poland in 1933-34 permitted a further increase in the activity of the cotton textile industry during the past season, although the agricultural situation - over-indebtedness and the unfavorable purchasing power of farm products - remained unsatisfactory.

The increase in cotton mill production that occurred in 1933-34, therefore, did not all move into consumption, and stocks of goods - according to available reports - were further increased. The present situation in the Polish cotton industry is, therefore, described as unsatisfactory and the outlook for 1934-35 and 1935 is not encouraging. Some declines from the relatively high level of 1933-34 occupation must eventually be reckoned with unless economic conditions take a rapid turn for the better. Farmer purchasing power, despite higher prices for grains, is not likely to be better than last season.

Net imports of raw cotton into Poland during 1933-34 amounted to about 68,000 metric tons (314,000 bales) as compared with net imports of 54,700 tons (252,000 bales) in 1932-33. Mill consumption of raw cotton in 1933-34 was about 10 percent above 1932-33, but the increase was confined entirely to non-American growths.

China 1/

Cotton consumption in China during September continued at about the same level as in each of the 2 previous months with the mills in Shanghai operating at about 75 percent of capacity and the Japanese-owned mills at almost full capacity. Consumption during August and September this year was, however, apparently somewhat larger than during the same period last year. Consumption of both American and Indian cotton so far this season has been running below last season, while the consumption of Chinese grown cotton is considerably larger than a year earlier, therefore representing a substantially larger proportion of the total.

The arrivals of Indian cotton at Shanghai during the first 2 or 2½ months of the present cotton season have been very light due in part to the belief that the larger Chinese cotton crop will reduce Indian consumption. The increased tariff on raw cotton also probably contributed to the reduction in takings of Indian cotton as well as American cotton. In early July 1934 the tariff was raised from 3.50 gold units per 100 kilograms to 5 gold units per 100 kilograms, which were equivalent to about 1.05 cents and 1.50 cents per pound respectively at the current rate of exchange.

Japan 2/

During September yarn production in Japan amounted to almost 288,000 bales compared with 290,000 bales in August, 261,000 bales in September last year, and an average monthly production in 1933-34 of 274,000 bales. Total yarn production during the first 2 months of the 1934-35 season amounted to nearly 578,000 bales, compared with 514,000 bales during the like period last season, 461,000 bales the first 2 months of the 1932-33 season, and was the largest for the period on record.

Exports of cotton cloth from Japan during August were reported at 237,000,000 square yards compared with 207,000,000 square yards in July, 222,000,000 in June, and were the largest with the exception of May for any

1/ Based largely on a radiogram from Agricultural Commissioner O. L. Dawson at Shanghai on October 15.

2/ Based largely on a report from Vice Counsel McConnoughy at Kobe received through the Agricultural Commissioner's office at Shanghai by radiogram October 2 supplemented by the radiogram on October 15, 1934.

month in the history of the Japanese export trade. Exports of cotton yarn from Japan declined during August and apparently have little prospect of increasing in the immediate future due to high prices and the heavy demand for cotton yarns within Japan. The Japanese exporters are continuing their efforts to develop new markets. During September a party was sent to hold sample fairs in Persia and the Balkan States. Similar parties in earlier months have been sent to a number of different countries almost all over the world.

Acreage, Production and Crop Conditions

United States

The 1934 domestic production was estimated as of October 1 at 9,443,000 bales of 478 pounds. This is 3,600,000 bales less than the previous crop, about 5,200,000 bales less than the average production in the 5-year period, 1928-1932. This year's crop as estimated in October is the smallest with the exception of 1921 since 1899. The unusually small crop is the result both of the smallest indicated acreage for harvest since 1901 (due to the voluntary cotton adjustment program and the Bankhead Act) and of extremely low yields in the western part of the Cotton Belt resulting from the drought.

The indicated area for harvest in 1934 of 27,241,000 acres is 9 percent less than the 1933 harvested acreage and 13,313,000 acres of 32 percent less than the average for the 5-year period, 1928-1932. As yet no announcement has been made by the Agricultural Adjustment Administration as to the acreage to which it is planned to adjust planting in 1935. However, there will be some increase in the acreage planted in 1935 over that of 1934 as the adjustment contracts which cover both years provide for a maximum reduction in 1935 of 25 percent from the growers' base acreage, whereas in 1934 the contract signers planted 38 percent less acreage than during the base period.

Foreign production

The present estimates of foreign cotton production are only tentative and may be changed considerably later in the season but the indications are now that the total cotton production in foreign countries in 1934-35 will be in the neighborhood of 600,000 bales larger than the 1933-34 crop which is now estimated at 13,053,000 bales. The expected increase in the total foreign production is due largely to an estimated increase of 200,000 bales in China, 300,000 bales in India, and 300,000 bales in North Brazil which were partly offset by decreases in Egypt and Russia now estimated at 100,000 bales and 200,000 bales respectively. Information from some of the smaller producing countries has been received, some indicating increased production and some showing decreases. The only information pertaining to the 1934-35 crop in Southern Brazil is that the acreage now being planted is expected to be considerably larger than that planted last year.

India

The first official estimate of the 1934-35 cotton crop in India will not be released until December, but on the basis of the consensus of opinion of the members of the Bombay Cotton Trade and other information

it seems likely that perhaps the crop may be 200,000 to 300,000 bales (of 478 pounds) larger than in 1933-34. The latest official estimate of the 1933-34 crop placed that crop at 4,159,000 bales which was 263,000 bales larger than the 1932-33 crop, 791,000 bales larger than the unusually small crop of 1931-32, and 308,000 bales less than the average for the 10 years ended 1932-33.

The acreage planted in cotton in India up to October 1 was reported at 20,365,000 acres compared with 19,835,000 acres planted to the same date last year (an increase of 3 percent) and 18,415,000 acres to October 1 in 1932. Plantings up to August 1 were reported at 7 percent less than a year earlier due to a sharp decline in the State of Hyderabad. The increase in the plantings in other states up to August 1 were 6 percent higher than a year earlier.

Egypt

The 1934-35 Egyptian crop has been forecast at 1,702,000 bales which is 6 percent less than the 1,819,000 bales produced in 1933-34. The 1934-35 Egyptian cotton acreage has been estimated at 1,798,000 acres compared with 1,873,000 acres and the peak area in cotton of 2,162,000 acres in 1930-31. There are some indications that the present estimate of the Egyptian crop is somewhat too small. Total ginnings in Egypt up to October 1 were reported at the equivalent of 235,000 bales which were 74 percent larger than to the same date last season and 22 percent less than the average ginnings to October 1 during the three seasons 1928-29 to 1930-31 when the average production was 1,718,000 bales.

China 1/

Weather conditions in China during September were apparently favorable in most sections for the picking of the crop, although heavy rains in the Shanghai area during mid-September affected harvesting there, but improved the prospects of the late cotton. The indications are, therefore, that the prospects as to the probable outturn of the 1934-35 crop remain about unchanged at approximately 2,900,000 bales. This, as has been previously pointed out, is about 200,000 bales larger than the 1933-34 crop and 800,000 bales or 40 percent higher than the average for the 10 years ended 1932-33. The 1934-35 Chinese cotton acreage is estimated at 6,747,000 acres, which is 10 percent larger than in 1933-34. The production of cotton in China is being encouraged by the Chinese Government in several ways. The tariff on raw cotton coming into China was raised in July and is now equivalent to about $7.50 per bale, or 1.50 cents per pound. In addition means have been worked out whereby production credit is provided at somewhat more favorable terms than in the past, cottonseed has been distributed, and committees organized for the purpose of improving the marketing facilities in China.

1/ Based largely on reports from Agricultural Commissioner O. L. Dawson at Shanghai.

Manchuria 1/

The 1934-35 cotton crop in Manchuria is estimated at something like 20 percent higher than last year. Opinions differ somewhat as to the quantitative estimate of the 1934 as well as the 1933 crop. It is reported that 80 to 90 percent of this season's crop is of native varieties. The remainder is apparently of American Upland varieties. Estimates of acreage received up to late October indicate that the acreage planted to the 1934-35 cotton crop in Manchuria was something like 40 percent larger than last year.

Soviet Russia

The outturn of the 1934 cotton crop in the Soviet Union is not definitely known, but it seems that the planned large increase in yields per acre - about 17 percent in 1934 as compared with 1932 - will not materialize. In fact it seems likely that the 1934 crop may be as low as 1,700,000 bales as compared with nearly 1,900,000 bales in 1933-34. In the spring of 1934 prolonged periods of rain and unusually low temperatures were experienced in Middle Asia. As a result of these adverse weather conditions, this year's cotton crop is greatly delayed, and there is good reason to believe that, unless frosts are late, a part of the crop will not mature. Furthermore the stand in many fields was reported to be thin. Considerable stress was laid by the press upon the importance of timely and thorough cultivation of the fields, in order to offset the drawbacks of this year's climatic conditions. However, all local reports indicate that farmers were not successful in this respect and that cultivation of the fields was frequently delayed, even more so than last year.

Estimates of the 1934 acreage are not yet available, but reports at the beginning of June indicated that the Government plan of a total acreage of 1,940,000 hectares (4,794,000 acres) had been completed and other reports indicate the acreage reached 4,843,000 acres. It is interesting to note that this is the lowest acreage sown to cotton in the USSR since 1930-31. This development is in line with the present government policy of checking the expansion of acreage under technical and root crops and concentrating all efforts upon better and more intensive cultivation in order to achieve higher yields. The unfavorable yields of cotton harvested in the Union during the past few years clearly indicate the necessity for such a change in policy. The average yield of ginned cotton has declined from about 246.2 pounds per acre, the average for 1925-1929, to 177.8 pounds per acre, the average for 1930-1933. As a result, total production of cotton did not keep pace with the expansion of acreage, the acreage attained in 1932 being around three times that of 1913, while production was more than two times that of 1913. The low yields are attributable to deficient cultivation and irrigation as a result of labor shortage and inefficiency, to unsatisfactory crop rotation, and to the expansion of acreage in so-called new regions.

1/ Based largely on a report from Agricultural Commissioner Dawson at Shanghai dated October 26.

Plans for increasing cotton production in Russia are very ambitious, providing for an increase of some 70 percent by the end of the second 5-year period (1937) as compared with 1932. This would mean a production of about 3,000,000 bales. In order to attain this aim, measures with respect to seed selection 1/, improved crop rotation (increased acreage under alfalfa), increased use of fertilizer, improved irrigation methods and better cultivation of the soil during the growing period are to be taken.

While the above enumerated measures will, no doubt, have some beneficial influence upon yields and will probably result in an improvement of yields from present low levels, the upward trend is likely to be much slower than provided for by the plans. Therefore, while somewhat higher yields may be expected for the next few years, it is hardly feasible to assume that the plan for a crop of 2,257,000 metric tons of unginned cotton (equivalent to something like 3,225,000 bales to 3,435,000 bales of lint) will be realized by the end of the second 5-year period - 1937.

Russia's dependence upon foreign raw cotton supplies has been decreasing since 1927, when the highest post-war imports of raw cotton were registered. By 1932 net imports had decreased to about 6 percent of 1927. However, in 1933 net imports of raw cotton again increased and were considerably higher than those in 1932 and also higher than in 1931. While the relative increase is considerable, the absolute quantities imported are small. Total net imports of raw cotton in 1933 amounted to about 22,000 metric tons (101,500 bales of 478 pounds) or about twice those of the previous year. This was due entirely to a decline in exports. Average net imports during 1925-1929 were 128,300 metric tons (592,000 bales).

Imports of American cotton were negligible in 1931 and 1932, but during the past year they constituted 77 percent of all imports.

The developing of future cotton imports is entirely up to the Government. It should be noted, however, that actual domestic production of raw cotton in the Union will fall short of present government plans. The present level of domestic cotton production is sufficient to insure the production of around 2,500,000,000 meters (2,734,000,000 yards) of cotton textiles a year, so that if no increase in the output of the cotton textile industry is to take place and consumption is to remain on the present low level, no or almost no importation of foreign cotton would be necessary. However, the second 5-year plan 2/ foresees a marked increase in cotton textile production - from 2,459,000,000 meters (2,689,200,000 yards) of fabrics in 1932 to 5,100,000,000 meters (5,577,400,000 yards) in 1937 an increase of 107 percent, and the erection of 15 new cotton spinning mills with a total capacity of 3,000,000 spindles. If, despite the probable nonexecution of the plan for increased domestic cotton production, the industrial side of the program is to be fully or partially carried out, Russia might become a substantial importer of foreign cotton.

1/ See World Cotton Prospects of September 29, 1934.
2/ Resolution of the 17th Party Conference held at Moscow in January - February 1934 on the Second-Five Year Plan (1933-1937).

The picking of cotton in the Soviet Union in September was lagging considerably behind last year. A total of 194,000,000 pounds of seed cotton, equivalent to approximately 134,000 bales (of 478 pounds) of lint, was harvested up to October 1, compared with 677,000,000 pounds of seed cotton, equivalent to 467,000 bales of lint, on the same date of last year. Late maturing of cotton during the current season is probably largely responsible for the delayed harvest, but complaints are also voiced in the Soviet press that advantage was not always taken of the opportunities to pick cotton as it opens without waiting for the maturing of the crop over the whole area, although there were also cases of harvesting not fully matured cotton. At the same time there were reported difficulties with the labor supply in the collective farms of Central Asia, the principal cotton growing section of the Union. Only a small proportion of the available working force was willing to pick cotton, which is attributed to the delay in the distribution of grain advances, although it is stated that considerable quantities of grain were assembled on railway points, waiting to be shipped into the interior (Socialist Agriculture, October 8, 1934). Thus in one collective farm, out of 53 workers only 20 were picking cotton; in another, out of a gang of 35 workers, only 11 were picking. In some sections, women are primarily engaged in this work, while men are occupied at tasks of secondary importance (Izvestiia, October 4, 1934). Little attention is apparently being paid to the grading of cotton according to quality, notwithstanding official decrees requiring strict inspection and segregation of various grades and types.

While the harvesting and shipment of new crop cotton was slow, the Russian mill supply of cotton was running short. Thus, it was stated early in October on the authority of the Commissar of Light Industry of U.S.S.R., that the Russian industry had on hand merely a few days' supply of cotton (Izvestiia, October 4, 1934). In another report it was stated that the mills were using the remnants of their cotton supplies, principally low grade cotton (Izvestiia, October 8, 1934). The Soviet textile industry, which formerly used considerable quantities of imported, principally American, cotton, in recent years has relied, as a result of the Government policy of self-sufficiency in the matter of cotton supply, predominantly on domestic cotton, which constituted approximately 90 percent of the total Russian mill consumption in 1932 (Statistical Yearbook of U.S.S.R. for 1934, page 137).

An acreage 4 percent smaller than last year was planted to cotton this season, in accordance with the Government plan, and policy of concentrating on improvement of the very low yields which accompanied the expansion of Russian cotton acreage in recent years. The outturn of the crop last year was slightly less than 1,900,000 bales. The planting campaign was hampered this season, on the one hand by excessive rain and cold weather in the principal Russian cotton growing areas in Central Asia, and on the other hand by the spring drought in the new regions of cotton cultivation in southern European Russia.

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